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ABSTRACT

During the mid-nineteenth century, merchants in Cincinnati (Ohio) gained access to the latest telegraphic news through the Merchants' Exchange, which became a vital link in a communications network that served as the nervous system of the nation's economy. The Cincinnati Merchants' Exchange was founded in 1843 by the Young Men's Mercantile Library Association in order to have a meeting place for the members of the library, and to create a merchants' exchange similar to those operating in other urban areas. On August 20, 1847, the first telegraph line to Cincinnati terminated in the College Building where the Merchants' Exchange was housed. After the telegraph reduced the risk in farm commodities trade which relied on a system of commission merchants, western cities became the points at which final sales were made and Cincinnati was a major point for such transactions. The telephone and the ticker produced a second revolution in business practices which decentralized business communications and in the process undermined the exchange. The exchange was a transitional market institution that for a time helped meet the commercial-information needs of the city, but was not destined to become a specialized exchange with futures trading like the Chicago Board of Trade. And its life, as well as its death, was largely dictated by communications technology. (Seventy-one notes are attached.) (RAE)

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COMMUNICATIONS TECHNOLOGY TRANSFORMS THE MARKETPLACE: THE IMPACT OF THE TELEGRAPH, TELEPHONE, AND TICKER ON THE CINCINNATI MERCHANTS' EXCHANGE

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On the night of August 20, 1847, the tireless telegraph promoter Henry O'Reilly anxiously installed a Morse telegraph instrument in a small room above the meeting hall of the Cincinnati Merchants' Exchange. In less than two months, O'Reilly had extended the first telegraph line in the West from Pittsburgh to Cincinnati. Now the moment had come to see if the slender thread of wire leading northward would carry the electrical impulses of Morse code back to the Pittsburgh telegraph office. The Cincinnati Gazette the following day described what happened:

> Cincinnati and Pittsburgh shook hands yesterday by means of Mr. O'Reilly's telegraph.... The whole affair worked beautifully, and the first word Cincinnati uttered in the ear of Pittsburgh took the Iron City quite by surprise. She recovered her equinimity [sic] in a short time and very politely sent us an interesting communication ... The steamer Cambria, it will be seen, reached Boston on the afternoon of the 19th ... Breadstuffs were then dull ...[1]

Both the setting and the first message reflect the strong ties between the telegraph and business interests. The telegraph line terminated in a room above the Merchants' Exchange -- the central meeting-place for the city's merchants -- because the members of the exchange needed telegraphic reports as soon as they came off the wire. Indeed, the exchange and its companion organization, the Cincinnati Chamber of Commerce, helped bring the telegraph to Cincinnati and undoubtedly influenced where the new telegraph office would be located. And that prosaic first message to Cincinnati -- revealing that a trading vessel had arrived in Boston and that European bread prices were inactive -- was precisely the sort of timely commercial information that Cincinnati businesses needed to help them trade in distant markets.[2]

Merchants eagerly welcomed the telegraph in Cincinnati and elsewhere because the slow movement of information posed a serious obstacle to trade. Western merchants who wished to sell farm commodities had to wait a week or more to learn about demand conditions in the Eastern consuming centers, while East Coast merchants had to wait just as long to learn about selling prices of Western commodities. Because of the resulting uncertainty, most interregional trade had to rely on an extensive, and expensive, system of middlemen merchants who accompanied goods to their final destination and then sold them in face-to-face negotiations. The telegraph helped eliminate the uncertainty and risk in interregional trade by allowing merchants to learn quickly about conditions in distant markets; and in time the telegraph helped eliminate the system of middlemen merchants by allowing traders to make transactions over its wires.[3]

How did merchants gain access to the latest telegraphic news? In Cincinnati it was through the Merchants' Exchange, a type of market institution that has received little scholarly attention.[4] Yet the Merchants' Exchange, aided by the telegraph, became a vital link in a communications network that served as the nervous system of the nation's economy. Relying largely on the manuscript records of the Cincinnati Merchants' Exchange and related institutions, this study demonstrates how and why the exchange came about, how it employed the telegraph and other types of communications technology, and why the exchange ultimately died during the current century.

I

The Cincinnati Merchants' Exchange was founded in 1843 by the Young Men's Mercantile Library Association. Then in 1846, the exchange was taken over by the Cincinnati Chamber of Commerce, which itself was founded by the Mercantile Library in 1839. Thus, the first chapter in the story of the exchange occurred before the telegraph reached Cincinnati in 1847. To understand why the exchange came about, one must examine the origins of the Mercantile Library.

The Young Men's Mercantile Library Association was organized in 1835 by forty-nine merchants in Cincinnati, mainly to operate a library for their benefit. The association started with modest means and was initially housed in the upstairs chambers of one of its members. By 1840, however, it had grown to more than 500 members and was prosperous enough to move into in the Cincinnati College Building, near the center of downtown.[5]

In a sense, the Mercantile Library was the first effort by the merchants of Cincinnati to provide a central facility to meet their informational needs. Besides acquiring books, the library obtained periodicals and provided a reading room for members. By October of 1840, the library subscribed to ten magazines and twelve newspapers, "sufficient to furnish at all times early commercial and miscellaneous intelligence from the most important commercial points of our country," the library's board reported to the membership.[6]

The library started the Merchants' Exchange on May 1, 1843, for two reasons. First, a need naturally arose for a place where the members of the library could speak without disturbing others. The preceding month the board of directors had noted that the library's quarters were "objectionable" because of "interruption to readers arising from conversation in the reading

room." The association needed "a suitable place appropriate to conversation which should serve as our Exchange and rendezvous for business men"; therefore the board rented an additional room at the College Building to house the exchange.[7]

The board revealed the second reason in 1846, when it wrote that it had founded the exchange at "the urgent solicitation" of the leading merchants of Cincinnati.[8] Why would merchants feel any urgency about starting such an institution? Probably because thriving merchants' exchanges had been operating in both Philadelphia and New Orleans (and possibly other cities as well) since the 1830s, serving as focal points of commercial activity in those cities.[9] In the atmosphere of urban rivalry that permeated the nineteenth century, the merchants of Cincinnati probably saw the creation of their own merchants' exchange as a step toward achieving the prominence of those cities.

In July of 1843, the board reported that ninety merchants had subscribed to the exchange (paid for the right to use it) at the rate of $5 per year, and that only ten more subscribers would be needed "to meet the estimated expenses," which included a $400 annual salary for the exchange's record-keeper. The board added that the exchange "needs only the fostering care and attendance of our merchants to become one of the best institutions of our city."[10]

Those who started the exchange hoped it would serve two functions. First, records would be kept there of the city's commercial activity, such as imports and exports by canal, river and railroad, and arrivals and departures of steamboats. Second, the exchange would serve as the central meeting-place for the city's merchants, who (the organizers hoped) would congregate to read the commercial information and engage in transactions. To facilitate such activity, the organizers appointed an hour of 'Change (or "Change," as it was

sometimes written, a shortened form of "exchange") when transactions were to be made.[11] Where did the organizers get the idea of "trading on 'Change"? Probably from the established exchanges. Ever since the mid-thirties, for example, the merchants of Philadelphia had met at noon to transact business during the hour of 'Change.[12]

The exchange got off to a slow start. In their report of January 1844, the library's board noted that the "Exchange Room" (as they called it) had not been "as successful as was anticipated ... the merchants have failed to attend very regular during the hour of 'Change' but this omission is with themselves, and not with the arrangements of the room." Still, the board found reason for optimism:

> ... the statistics, mercantile news, and other items of interest to merchants and leaders generally have been the means of increasing the number of visitors to the Exchange and Reading Room, at all hours of the day. And it is sufficient evidence of the growing importance and attraction of a place of this nature in our city.

So, despite the mixed success of the exchange after its first eight months, the board recommended continuing it.[13]

Yet three months later the board seemed hopeful of severing their ties to the exchange. "It is contemplated to continue the Merchants Exchange [as] a distinct organization ... an Exchange is more properly an appendage to a Chamber of Commerce than to a library association." Moreover, the exchange still apparently lacked sufficient community support, for the board found it necessary to write that the merchants of Cincinnati "should not regard its present usefullness [sic] so much as the very great benefits which will result from it in the course of a few years. If they will secure the money necessary to carry it on ... the Board will give it all due attention ..."[14]

On January 19, 1845, the College Building burned down. Members of the Mercantile Library managed to save most of the association's books. The library along with the exchange moved to temporary quarters at the First Presbyterian Church, further from the center of town. The library and the exchange would remain there for a year and a half while the College Building was being rebuilt.[15]

In April, the board of the library still acknowledged the limitations of the exchange, but they also had grandiose hopes for its future:

> It cannot of course be expected that an Institution like the Merchants Exchange in so new a City as this should possess all the attractions and advantages of similar Institutions in the Eastern and Southern Cities but it is ... the nucleus of a future and permanent Exchange which shall be in time adequate to the business wants of our commercial Community.

Noting that the greatest drawback to the success of the exchange "seems to be the want of a suitable Exchange Building somewhere more nearly in the center of business," the board proposed a plan:[16]

> "The spirited merchants of the city of Buffalo have recently taken measures for the erection of a handsome Exchange and we respectfully suggest that it is time for Cincinnati to be moving the matter. We hope that it will not be long ere we shall have our Exchange Building ..."

Notably, both Philadelphia and New Orleans had merchants' exchange buildings.

By the following January, however, the library's board had dropped the idea of an Exchange Building. The reason was that the Mercantile Library Association had during the preceding year collected $10,000 from the city's business community to rebuild the College Building; in return, the library was to receive an extraordinary 10,000-year free lease on greatly expanded

quarters in the new building. The board seemingly decided that the association should make some of its space available for the exchange rather than exhort the business community to contribute to still another building.

The board recommended that the library's largest room be reserved for the exchange. The room should be suitably furnished, they wrote, to make it attractive to merchants and others "for the transaction of many kinds of business. For the sale of real estate and stocks at auction, or private sale." To aid in this, they again urged that a time for 'Change be set: "... Subscribers can establish an hour for meeting there, which once adopted would be found greatly to facilitate business transactions. Men would then be found there at stated hours in the day, who might otherwise be sought in vain perhaps, at most inconvenient distances ..."[17]

On July 4, 1846, the Mercantile Library moved into the new College Building, and a large room on the north side, soon to be known as Exchange Hall, became the home of the Merchants' Exchange.[18] On September 1, with the blessing of the library's board, the Chamber of Commerce officially took over the exchange, leasing the Exchange Hall from the library for five years at one dollar per year.[19] Thus ended the first phase of the exchange's existence. The next phase would be dominated by the telegraph.

The Cincinnati Chamber of Commerce, like the Mercantile Library, had been housed in the College Building before it burned down. And it, too, moved back into the rebuilt College Building in mid-1846. The members of the chamber were certainly aware of the progress of the earliest telegraph lines. In January of that year, a line from Newark, New Jersey, stretched to Philadelphia, and by June the line would reach Baltimore. A line from New York City to Buffalo would be done by early September. And Henry O'Reilly's projected lines from Philadelphia to Cincinnati and beyond would reach Pittsburgh before the end of December.[20]

But in July, the first order of business of the Chamber of Commerce was to take control of the Merchants' Exchange. At the chamber's first meeting in the new building on July 23, a committee was charged with effecting the transfer of control from the Mercantile Library. The following week, the membership approved a proposal for the takeover, and another committee was formed to formulate bylaws and regulations for the exchange.[21] On August 11, the chamber issued the bylaws, to take effect September 1.[22]

The bylaws give insight into the functions the chamber expected the exchange to fulfill. Section two of the bylaws read: "The period from twelve to half past one o'clock daily, shall be specially set apart for a General Meeting of Members for the transaction of business."[23] In other words, that hour and a half would serve as the period of 'Change, which the Mercantile Library had tried unsuccessfully to establish.

Section 4 of the bylaws provided that

> Bulletin Boards shall be erected in the Hall, whereon the latest news of general interest, recent reports of important mercantile transactions in this and other markets, copies of Steam Boats' Manifests, with transcripts of their logs, and other commercial intelligence, shall be placed by the Superintendent, at the earliest possible moment ...[24]

So far as records reveal, the exchange under the library had never posted reports of recent transactions in other markets; the chamber seemed to be anticipating the arrival of the telegraph. Significantly, the telegraph office in Philadelphia, which had been in business nearly the entire year, was located in the Philadelphia Merchants' Exchange.[25] The operators of the Philadelphia exchange must have begun the practice of posting telegraphic market reports for members, and undoubtedly some of Cincinnati's merchants had been to Philadelphia during the year.

The newspapers of the city welcomed the takeover of the Merchants' Exchange by the Chamber of Commerce. On August 29 the Gazette wrote that "the establishment of a Merchants' Exchange, on an enlarged and permanent basis ... is a an important step, and every merchant in the city should promptly come forward to sustain it ... A common center of trade, such as the Exchange will furnish, will greatly facilitate commercial operations, and economise [sic] to an extent that would hardly be supposed possible...." The Commercial echoed those sentiments by reprinting the article two days later.[26]

Despite the initial enthusiasm, the first days of the exchange under the Chamber of Commerce were disappointing. The Gazette reported that on the first day of 'Change, only lard, mustard, buckets, flour, whiskey, and salt changed hands.[27] The second day was worse, and the Gazette noted, "There were numerous sellers, but not many buyers."[28] The Daily Enquirer was so unimpressed that it ventured that the exchange would provide comprehensive statistics but, "We do not anticipate, for the present ... that it shall be the central and exclusive mart, where merchants must do

congregate ..."[29] The slow start of the exchange must have been on the minds of the members of the chamber the following week when they unanimously adopted this resolution:

> Whereas the project of connecting Cincinnati with the Eastern Cities, by means of the magnetic Telegraph, has already been commenced in Philadelphia and Pittsburgh and in a short period will probably be presented for the consideration of our citizens; and whereas its termination in the College Building is essential to the prosperity and success of the Merchants' Exchange [emphasis added]; therefore Resolved that the members of the Chamber of Commerce pledge themselves individually to use all proper influence to effect this object ...[30]

Why was the termination of the telegraph line in the College Building "essential" to the success of the exchange? Because the members viewed the telegraph as the magnet that would draw merchants and others to the exchange to read the telegraphic reports. They wanted the first line to the city to come to the building that housed their exchange so telegraphic messages could reach them there as soon as possible. And as noted, the first telegraph line to Cincinnati indeed terminated in the College Building on August 20, 1847.[31]

After its arrival, the Chamber of Commerce immediately faced the question of how to obtain market reports over the telegraph. The chamber apparently entered into an agreement with the city's daily newspapers to share telegraphic reports. On September 14, O'Reilly's telegraph company issued a statement signed by "Richard Smith, Agent for Cincinnati Newspapers and Merchants' Exchange." In that leaflet, Smith rebutted charges by a Columbus, Ohio, newspaper that telegraph employees held back from it a news item that appeared first in Cincinnati papers. The Cincinnati papers got the news first, Smith explained, because it was sent from "our exclusive

correspondent," and he went on to note that he (Smith) had been employed by "the newspapers, and by the Merchants' Exchange of Cincinnati, to send and receive telegraphic despatches [sic] ..."[32]

Smith's statement did not say whether the newspapers and the exchange shared the commercial news he received, but they almost certainly did. The overwhelming majority of the earliest telegraphic reports that appeared in Cincinnati newspapers consisted of commercial news, especially market reports.[33] Given the high cost of transmitting information, it only made sense for the newspapers and the exchange to share telegraph reports.

Richard Smith was part of a small group of enterprising individuals nationwide who, upon the arrival of the telegraph, recognized the need for correspondents to gather, send and receive telegraphic news. The first telegraphic reporter anywhere was perhaps Alexander Jones, who would eventually become the first general manager of the Associated Press of New York. Jones recalled in 1852 that he "commenced sending and receiving commercial reports ... early in 1847, between New York, Baltimore, Boston and Buffalo, and subsequently between New-York and Cincinnati, New Orleans and St. Louis."[34] Jones worked for both a consortium of New York newspapers (which would later form the Associated Press) and the New York Merchants' Exchange.[35]

Jones wrote that "after a year or two," three or four independent telegraph reporters organized into an association, which "employed others in various important localities to forward and receive news for the press.... Their services were either paid for at stated weekly salaries, or in steamers' [news] and other news forwarded in exchange." Jones noted that Richard Smith was affiliated with this association.[36] Smith presumably exchanged news with his counterparts in New York and elsewhere and sold it

in Cincinnati to the newspapers and the Merchants' Exchange. Jones wrote that the association of independent telegraph reporters dissolved after about a year (around 1850), to be replaced in effect by the formal organization of the New York Associated Press.[37] Smith would remain a wire reporter until at least 1853.[38]

Although the Merchants' Exchange established 'Change nearly a year before the arrival of the telegraph, the coming of telegraphic reports greatly enhanced its usefulness. Less than three weeks after the arrival of the telegraph, the Gazette, observed:

> A year ago, when 'Change was established in this city, the experiment was considered one of doubtful issue. Now, the institution could not be gotten along without. Our merchants would not know where else to go for "the news," and would feel quite awkward were they to undertake to operate elsewhere than on 'Change.[39]

The degree to which the telegraphic reports became central to 'Change was highlighted the following year. At their October 16 meeting, the membership voted to institute an evening hour of 'Change from 7 to 8 o'clock, in addition to the period from noon to 1:30. After that motion carried, the officers of the exchange were instructed to "make an arrangement for evening Telegraph Dispatches ..."[40] By 1848, it seems, the telegraph and transacting on 'Change had become inseparable.

The chamber reached a milestone on March 23, 1850, when the state legislature granted it a charter as the Cincinnati Chamber of Commerce and Merchants' Exchange, the full name now used by the organization.[41] It reached another milestone on September 1, 1851, because that date marked the end of the five-year lease the Mercantile Library had granted the chamber on its largest room for use as the Exchange Hall. The library now wanted the room. Therefore, the chamber arranged to rent a another large room on the

second floor of the College Building to serve as the home of the Merchants' Exchange. Now, however, the chamber would have to pay $700 annual rent instead of the nominal $1 a year that the library had charged it.[42]

The annual statement for the Chamber of Commerce that Richard Smith issued at the time of the move reflects the extent of the development of the exchange in those first five years. Smith noted that the $5 annual subscription fee for an individual membership would have to be increased to $10 to meet the higher rent, and then he emphasized the value of belonging to Cincinnati's Merchant's Exchange: "It is not likely that many of our members would object to an increase in the price of subscription. In New York the subscription to the Exchange alone, is $10 for each individual, and the subscription to the Exchange Reading Room is also $10." Moreover, the statistical information collected at the New York exchange "is nothing compared with the information recorded and exhibited on the books of our Exchange." Thus, Smith reasoned, "more is furnished here for $5, than the New York Exchange supplies for $20." Likewise, he continued, members of the St. Louis Merchant's Exchange pay more ($15 annually) for an inferior exchange. Comparisons with still other cities "would show most conclusively that the Exchange connected with the Chamber of Commerce in this city, is more useful to members, than any similar institution in the United States."[43]

Smith, of course, had reason to exaggerate, but Cincinnati's exchange must have developed considerably in the previous half-decade for him to make such superlative claims. He noted in his report that sixty firms and 219 individuals belonged to the exchange. The preceding year, the organization had total revenues of $3,288.75, including $693.24 from newspapers for

market reports. Among the expenditures for the year was $260 for "Telegraph Markets," presumably the amount paid to a local telegraph company for transmitting and receiving market reports.[44]

As the exchange matured, its membership had to adopt rules to ensure that everyone be given access to information simultaneously. In November of 1851, the members of the chamber passed a resolution that the superintendent "withhold all information of general interest ... until he is ready to post it upon the Bulletin Board or announce it from the stand." The minutes of the meeting noted that the resolution was "to relieve the superintendent from embarrassment when questioned as to the contents of [telegraph] reports while transcribing them." Some of the members apparently had attempted to gain an advantage in trading by trying to pry information from Smith before all the members had access to it.[45]

By December of 1855, telegraph companies were competing for the business of the Merchants' Exchange. In that month, Western Union and the National Lines System (of which O'Reilly's pioneer company was a part) submitted proposals to the chamber for the organization's telegraphic business. The following month, the contract was awarded to Western Union.[46] The contract allowed the company to place a telegraph in the exchange itself, which had obvious benefits: news could reach the members of the exchange faster, and orders to buy and sell in other markets could be placed from the exchange.[47]

Richard Smith's annual report for the Chamber of Commerce in September of 1856 makes clear why the telegraph companies were so anxious for the contract. In the preceding year, the exchange spent $937.95 for telegraphic reports, nearly a fourfold increase over the amount spent five years before. The increased expenditures on the telegraph were accompanied by increased

use of the exchange by merchants, as shown by a highly detailed article about of activity on 'Change, published in 1856 by the Cincinnati Price Current. The article provides a rare glimpse of what the exchange was like in the 1850s:

> ... on 'Change each day ... may be seen scores of hog-drovers from Ohio, Kentucky, Tennessee, Indiana, and Illinois, anxious to ascertain the state of the hog market, and witnessing the rise or fall of pork, with the most absorbing interest. Here are the flour dealers, and grain dealers, and all kinds of commission forwarding, and importing merchants, bankers, steamboat and railway agents -- millers, distillers, and manufacturers, both from our own city and the surrounding towns. Here also may be seen leading provision dealers from New Orleans, Baltimore, Philadelphia, New York, and Boston; and from the British provinces and not only do we find representatives from American cities, but here may be found provision men and speculators from Liverpool, London, Paris, Glasgow, Hamburg and Bremen, all mixed up in this busy throng; driving bargains, filling up checks, negotiating loans, exchanging sentiments, and adjusting differences. The amount of merchandise which changes hands here, each day, is enormous...[48]

As noted, most interregional trade in farm commodities before the telegraph relied on a system of commission merchants who would take the commodities to their final market, usually to an eastern city or Europe, before making a sale. Only after the telegraph reduced the risk in such trade did Western cities become the points at which final sales were typically made.[49] The above passage makes clear that Cincinnati, less than a decade after the coming of the telegraph, was a major point for such transactions. The article concluded:

> The commercial news by each steamer from Europe is made public on the bulletin boards as soon as the steamers arrive at Halifax or New York, if in the day time. Special reporters are employed in New York and other places to furnish all interesting commercial news by telegraph. A full and accurate telegraph report of the New York market for all leading articles, is read during 'Change each day.

Since a permanent transatlantic cable would not be laid until 1866, the fastest way to get news about European markets was from the steamers that arrived at Halifax or New York.[50] The daily reports from New York were read aloud during 'Change to get the information to everyone assembled there as soon as possible.

By the mid-1850s, the Merchants' Exchange, aided by the telegraph, had become a mature market institution essential to the commercial life of the city.

III

The Cincinnati Merchants' Exchange would remain a robust institution during the Civil War and after, and the telegraph would continue to play a vital role in it, at least through the 1880s. The increasing importance of the telegraph to the Merchants' Exchange is seen in the money the institution paid for telegraph reports in various years:[51]

1852	$ 260.00
1856	937.95
1866	5,441.93
1875	6,492.00
1886	8,212.88

By the early twentieth century, however, the institution was clearly in decline, as other innovations in communication technology helped eliminate the advantages to Cincinnati merchants of meeting face to face on 'Change each day.

On October 20, 1869, the College Building burned down again, and the Chamber of Commerce and Merchants' Exchange moved less than a block away to Smith and Nixon's Hall on Fourth Street, where the organization would remain for twelve years.[52] In its 1874-75 fiscal year, while at that location, the chamber first installed in the exchange a telegraphic device of the American

District Telegraph Company, with which local messages could be sent to a downtown office; from there, messenger boys would quickly deliver them.[53] This device probably lessened the need for some people to be present for 'Change, since others at the exchange could send them telegrams when necessary.

Also that year the chamber placed in the exchange a device of a business called the Fire Alarm Telegraph Company, "so that members can be immediately advised of the locality of any fire alarm during Exchange hours." And the exchange installed more bulletin boards and halted the practice of reading telegraphic market reports during 'Change, probably because the volume of information made it impractical to read it all.[54]

Around the same time, yet another telegraph company was growing in Cincinnati, the City & Suburban Telegraph Association, which incorporated in 1874. This company strung telegraph lines within the city, leasing them mainly to merchants for intraurban communication between offices and plants or residences. By the middle of 1877, the company had strung about fifty such wires in the city.[55]

The Suburban's lines served as the basis for the introduction of the next truly revolutionary communications device in the city, the telephone. In 1877, the first telephone conversation held in Cincinnati was transmitted over one of the company's lines, and the following year, the Suburban entered into a contract with American Bell to supply telephone service to the city and surrounding area. By March of 1879, there were over 300 subscribers to the telephone service in the area, and by 1884, over 2,500.[56]

In 1881, the Chamber of Commerce moved again, this time to Pike's Opera House, also on the Fourth Street.[57] It was in this building, where the organization would remain for eight years, that the exchange apparently

first made use of telephones, no later than 1882. The annual report for 1882-83 noted: "Increased telephonic facilities being found desirable, the service was extended on January 1 to five telephones, in the Merchants' Exchange, at an annual expense of $600, including three attendants ..."[58] Obviously, the use of telephones in the exchange helped free some merchants from the necessity of attending 'Change each day, as they could call the exchange for the latest commercial information they needed, or could call other merchants located anywhere there was a phone rather than meet them at the exchange.

Still another innovation in communications technology appeared in the postbellum period that would affect exchanges everywhere: the ticker. In 1863, Edward A. Calahan obtained a patent for the device, which could rapidly register telegraphed price quotations on a strip of paper. The Gold and Stock Telegraph Company was incorporated in 1867 to use the apparatus. The company rented its tickers to subscribers and would transmit over all devices simultaneously the latest quotations from specific markets, the first being gold and stocks, accounting for its name. Until 1871, the company operated only in the New York City area, placing over 700 devices in the offices of brokers and others, thus allowing them to obtain the latest quotations from the gold and stock exchanges without being present at them.[59]

In 1871, Western Union acquired the Gold and Stock Telegraph Company and allowed it to take over its Commercial News Department, which for some time had supplied statistics for various commodities to subscribers. In its enlarged capacity under Western Union, the company began providing price quotations and additional statistics for other markets, eventually including produce, cotton, and various securities.[60]

The Cincinnati Merchants' Exchange made use of the Gold and Stock Telegraph Company no later than 1878, and probably before that; in his annual report for 1877-78, the chamber's secretary noted that the "constantly increasing tariff charged by the Gold and Stock Telegraph Company" made it necessary for the board to reduce the number of reports received. He reported that a contract had been made with the company for its services for $500 per month.[61] In 1882, the exchange placed three Gold and Stock tickers in the exchange, one at each of the bulletin boards. The secretary noted that tickers "greatly reduced the interval between the transmission and receipt of our reports at the Exchange, and very materially increased the value of this branch of the service."[62] While the tickers may have added value to the information received at the exchange, the proliferation of them would ultimately diminish the exclusive nature of the information, which members formerly could find only at the exchange. By 1888, the Gold and Stock rented more than 1,500 tickers, and there possibly were more in Cincinnati than just the three at the exchange; by 1904, at the the latest, Cincinnati investment brokers had begun using tickers in their own offices, thus offering distant market information as soon as the exchange could offer it.[63]

Even as technological forces were beginning to undermine the need for a Merchants' Exchange in Cincinnati, the Chamber began planning, around 1878, the construction of its own building with a grand Exchange Hall. More than a decade later, in 1889, the organization moved into its splendid new Cincinnati Chamber of Commerce and Merchants' Exchange Building, at the corner of Fourth and Vine.[64] In 1911, this edifice, too, burned to the ground. In its place was built the thirty-four story Union Central Building, then the tallest structure west of New York. The Chamber of

Commerce occupied the second and third floors of the building and again set up a room for the exchange. A Chamber of Commerce publication tellingly described it in 1916:

> The exchange hall is the meeting place for business men. ... At present the principal commodities handled are grain and hay. Formerly many other articles were dealt in, but with the advent of the telephone and other modern instruments of business, the barter on the exchange has been limited practically to grain and hay ... The exchange is not a stock exchange....[65]

The once bustling exchange where numerous commodities changed hands had been reduced to a place for the sale of a few items. Significantly, no mention is made of 'Change, once the most prominent feature of the Exchange. No longer did business people, drawn by the magnetism of telegraphic reports read aloud each day, need to congregate at an appointed hour to get the latest commercial news or to engage in transactions. Widespread telephones and tickers now allowed them to obtain information and make deals practically whenever and wherever they wanted. By 1916, the exchange was well on its way to becoming a relic.

The exchange lingered on, at least till the chamber celebrated its centennial in 1939.[66] But by the time the organization moved from the Union Central Building in 1965, the exchange was dead and no provisions were made for a new exchange hall.[67] At just about the same time, the organization changed its name to the Greater Cincinnati Chamber of Commerce, dropping the now superfluous "and Merchants' Exchange."[68]

IV

The telegraph, and later the telephone and ticker, profoundly affected the Merchants' Exchange, but in different ways. The telegraph enabled the exchange to become a central meeting-place for the transaction of business, as its founders hoped it would be. As noted, the Cincinnati exchange apparently was started in imitation of established merchants' exchanges elsewhere, such as Philadelphia and New Orleans. But before the coming of the telegraph, the exchange failed to become a thriving center of trade. The telegraph helped change that. Merchants gathered there for decades to hear or read the latest telegraphic reports, and then to engage in business with one another or to use the telegraph to buy and sell. In time, transacting interregional business over the telegraph came to replace the use of middlemen merchants who accompanied goods to distant markets then engaged in face-to-face negotiations. Thus, the telegraph allowed communications to replace travel in transacting business over long distances.[69]

But if the telegraph helped eliminate the need for <u>inter</u>urban travel in commerce, for a time at least it increased the need for <u>intra</u>urban travel. From the late 1840s through at least the 1870s, many Cincinnati merchants who needed the latest commercial information had to travel to the exchange to get it. The telephone and the ticker then produced a second revolution in business practices. After their diffusion, the Merchants' Exchange lost its temporal monopoly on distant commercial information. The second revolution decentralized <u>intra</u>urban business communications and transactions, and in the process undermined the exchange.

The Cincinnati Merchants' Exchange was perhaps doomed from the start, because it served the needs of a wide variety of merchants, from hog-drovers to distillers. As markets matured nationwide in the postbellum years,

particular institutions devoted to specific items or groups of items grew in importance. The Chicago Board of Trade became the leading grain exchange in the world. The New Orleans Cotton Exchange became the predominant commercial institution for that commodity.[70] As such exchanges gained sway over national markets, the need for multi-commodity merchants' exchanges diminished. Brokers with tickers and telephones enabled merchants to buy and sell in specific markets without being present at the exchanges devoted to them.

Once it became possible to buy or sell almost instantly at any time, the level of risk involved in current transactions must have fallen to almost nothing. At that point, the risk in the commodities markets -- and thus the opportunities for speculation and profit -- lay in the future. After the Civil War, futures trading became a common feature of the leading exchanges.[71]

The Cincinnati Merchants' Exchange was not destined to become a leading specialized exchange with futures trading like the Chicago Board of Trade. The exchange was a transitional market institution that for a time helped meet the commercial-information needs of the city. And its life, as well as its death, was largely dictated by communications technology.

NOTES

[1] Recounted in Federal Writers' Project, They Built a City: 150 Years of Industrial Cincinnati (Cincinnati: The Cincinnati Post, 1938), pp. 328-29.

[2] See "Cincinnati Embraces the Telegraph," Chapter 2 of Bradford W. Scharlott, The Telegraph and the Integration of the U.S. Economy: The Impact of Electrical Communications on Interregional Prices and the Commercial Life of Cincinnati (unpublished Ph.D. diss., Univ. of Wisconsin, 1986), pp. 37-83; see also Richard B. DuBoff "Business Demand and the Development of the Telegraph in the United States, 1840-1860," Business History Review, vol. 54 (1980), pp. 459-79.

[3] On the system of middlemen merchants, see Fred M. Jones "Middlemen in the Domestic Trade of the United States 1800-1860," Illinois Studies in the Social Sciences, vol. 21, no. 3 (Urbana: University of Illinois, 1937). On the effect of the telegraph in reducing uncertainty and allowing point-to-point transactions, see John G. Clark The Grain Trade of the Old Northwest (Urbana: Univ. of Illinois Press, 1966), pp. 119-21.

[4] A work that briefly touches on the history of some commodity exchanges is S. S. Heubner, "Organized Commodity Markets," American Academy of Political and Social Sciences 55 (1931). For a general treatment on the functions of exchanges, see Julius B. Baer and Olin G. Saxon, Commodity Exchanges and Futures Trading (New York: Harper & Brothers, 1947).

[5] Charles Cist, Cincinnati in 1841, (Cincinnati, 1841), 110-11.

[6] See Oct. 17, 1840, entry in the bound volume Records of the Young Men's Mercantile Library Association, containing the manuscript minutes of the meetings of that association; it is kept at the Mercantile Library, Cincinnati, Ohio. [This volume will hereafter be referred to as Mercantile Library Records.]

[7] Mercantile Library Records, April 4, 1843.

[8] Ibid., Oct. 6, 1846.

[9] On the Philadelphia Merchants' Exchange, see J. Thomas Scharf and Thompson Westcott, History of Philadelphia 1609-1884, vol. 1 (Philadelphia: L.H. Everts & Co., 1884), pp. 634-35; on the New Orleans Merchants' Exchange, see New Orleans City Guide, Federal Writers' Project (Boston: Houghton Mifflin Co., 1938), pp. 232.

[10] Mercantile Library Records, July 8, 1843.

[11] See ibid., Jan. 6, 1846, where the board reviewed the history of the exchange.

[12] Scharf and Westcott, History of Philadelphia 1609-1884, vol. 1, p. 635.

[13] Mercantile Library Records, Jan. 2, 1844.

[14] Ibid., April 2, 1844.

[15] Ibid., April 1, 1945, and following entries; see also, Charles F. Goss, Cincinnati: The Queen City 1788-1912 (Chicago: S.J. Clarke Publishing Co., 1912), pp. 350-51.

[16] Mercantile Library Records, April 1, 1845.

[17] Ibid., Jan. 6., 1846.

[18] Ibid., July 4, 1846.

[19] Ibid., Oct. 6, 1846.

[20] See Robert L. Thompson, Wiring a Continent (Princeton Univ. Press, 1947), pp. 44, 66, 81, 98.

[21] See July 23 and 30 entries in the bound volume Cincinnati Chamber of Commerce Meetings, containing the manuscript minutes of meetings of the association; it is kept at the Cincinnati Historical Society. [This volume will hereafter be referred to as Chamber of Commerce Meetings.]

[22] Constitution and By-Laws of the Cincinnati Chamber of Commerce and Merchants' Exchange As Adopted At the Reorganization of the Chamber, August 11, 1846 (Cincinnati: 1847). This pamphlet is available at the Cincinnati Historical Society.

[23] Ibid.

[24] Ibid.

[25] See Report of the Proceedings of a Meeting of the Stockholders of the Atlantic and Ohio Telegraph Company, Held in Philadelphia, July 19, 1849 (Philadelphia, 1849), which reviewed the history of that pioneer company. This pamphlet is available at the New York Historical Society in the Henry O'Reilly Document Series.

[26] Cincinnati Gazette, August 29, 1846 , p. 2; Cincinnati Daily Commercial, August 31, 1846, p. 2.

[27] Cincinnati Gazette, September 2, 1846, p. 3.

[28] Ibid., September 3, 1846, p. 3.

[29] Cincinnati Daily Enquirer, September 3, 1846, p. 2.

[30] Chamber of Commerce Meetings, September 7, 1846.

[31] See above, note 1.

[32] See flier titled "Atlantic, Lake and Mississippi Telegraph Range. Including the Ohio Valley. Missapprehension [sic] corrected." in the O'Reilly Document Series.

[33] See Scharlott, The Telegraph and the Integration of the U.S. Economy, pp. 29-30; and DuBoff "Business Demand and the Development of the Telegraph in the United States, 1840-1860," p. 468.

[34] Alexander Jones, Historical Sketch of the Electric Telegraph (New York: George P. Putnam, 1852).

[35] Ibid., pp. 136, 142.

[36] Ibid., p. 148.

[37] Ibid., p. 136.

[38] See American Telegraph Magazine, Jan. 31, 1853, p.156, where Smith is listed as the telegraphic commercial news agent in Cincinnati.

[39] Cincinnati Gazette, September 20, 1846.

[40] Chamber of Commerce Meeting, October 16, 1848.

[41] See Dedicatory Exercises at the Opening of the New Building of the Cincinnati Chamber of Commerce and Merchants' Exchange (Commercial Gazette, 1889), pp. 20-22.

[42] See article titled "Annual Report of the Secretary of the Cincinnati Chamber of Commerce [Richard Smith] for the year ending August 31, 1851," in The Cincinnati Price-Current, Commercial Intelligencer and Merchants' Transcript, September 10, 1851, p. 2.

[43] Ibid.

[44] Ibid.

[45] Chamber of Commerce Meetings, November 6, 1851.

[46] See entries for Dec. 8, 1855, and Jan. 14, 1856, in Cincinnati Chamber of Commerce and Merchants' Exchange, Board of Officers. This volume, which contains the manuscript minutes of the meetings of the board, is kept at the Cincinnati Historical Society. [Hereafter this volume will be referred to as Chamber of Commerce Board Meetings.]

[47] Williams' Cincinnati Directory, 1856 (Cincinnati: C. S. Williams, 1856), p. 260, which contains an advertisement for Western Union noting that it has a branch office in the exchange. Western Union absorbed O'Reilly's pioneer Western Union absorbed the Pittsburgh, Cincinnati and Louisville Telegraph Company in 1856.

[48] The article was reprinted in Hunt's Merchant Magazine, vol. 34 (1856), p. 521.

[49] See note 3, above.

[50] Victor Rosewater, History of Cooperative News-Gathering in the United States (New York: D. Appleton and Company, 1930), pp. 27-33.

[51] [Cincinnati] Chamber of Commerce Annual Reports, 1856, 1866, 1875, 1886. A set of these bound volumes are kept at the Cincinnati Historical Society.

[52] Goss, Cincinnati: The Queen City, p. 351.

[53] Chamber of Commerce Annual Report, 1875; see also Federal Writers' Project, They Built a City, p. 333, on the American District Telegraph Co.

[54] Chamber of Commerce Annual Report, 1875.

[55] Cincinnati Bell Centennial 1873-1973 (n.p., 1973), pp. 6-7. The Chamber of Commerce's annual reports do not reveal that the exchange made use of the Suburban's telegraph lines.

[56] Ibid., pp. 7-12.

[57] Goss, The Queen City, p.351.

[58] Chamber of Commerce Annual Report, 1883.

[59] James D. Reid, The Telegraph in America (1888), pp. 822-24.

[60] Ibid., pp. 824-31.

[61] Chamber of Commerce Annual Report, 1878.

[62] Ibid., 1882.

[63] Reid, The Telegraph in America, p. 830; see also Williams' Cincinnati Directory, 1904 (Cincinnati: C. S. Williams, 1904), pp. 36-37.

[64] See "Cincinnati Chamber of Commerce and Merchants' Exchange: History of Its Organization and Its New Edifice," Cincinnati Chamber of Commerce Annual Report, 1887.

[65] Charles R. Hebble and Frank P. Goodwin, eds., The Citizens Book ["Published Under Auspices of the Cincinnati Chamber of Commerce"] (Cincinnati: Stewart & Kidd Company, 1916), pp. 187-88.

[66] See "100th Anniversary Dinner, Cincinnati Chamber of Commerce" (pamphlet, 1939), at Cincinnati Historical Society, which refers to "a daily trading session -- perpetuated to this day in the Mercantile Exchange ..." Notice that Merchants' Exchange in the quoted passage had changed to Mercantile Exchange: the original identity of the institution was slipping away. Still, in this pamphlet produced for the organization's centennial, the chamber's full name was given as The Cincinnati Chamber of Commerce and Merchants' Exchange.

[67] See article "C. of C. Planning to Move Offices," Cincinnati Enquirer, March 11, 1965, saved in Cincinnati Chamber of Commerce Scrapbook, kept at Cincinnati Historical Society.

[68] See article "C. of C. Directors Put Name Change Up to Members," Cincinnati Post, March 23, 1965, saved in Cincinnati Chamber of Commerce Scrapbook, kept at Cincinnati Historical Society.

[69] For a general treatment on the economic effects of the telegraph, see Richard B. DuBoff, "The Telegraph and the Structure of Markets in the United States, 1845-90," Research in Economic History, vol. 8 (1983), pp. 253-77. See also James W. Carey, "Technology and Ideology: The Case of the Telegraph," Prospects, vol. 8 (1983), pp. 303-23, for insights on how the telegraph helped separate communication from travel.

[70] On the history of the Chicago Board of Trade, see Lewis H. Bisbee and John C. Simonds, The Board of Trade and the Produce Exchange, Their History, Methods and Law (Chicago: Callaghan & Co., 1884); see also James E. Boyle, Cotton and The New Orleans Cotton Exchange: A Century of Commercial Evolution (Garden City, N.Y.: The Country Life Press, 1934).

[71] See Carey, "Technology and Ideology," Prospects, pp. 315-19, for a discussion of how the telegraph made futures trading possible.